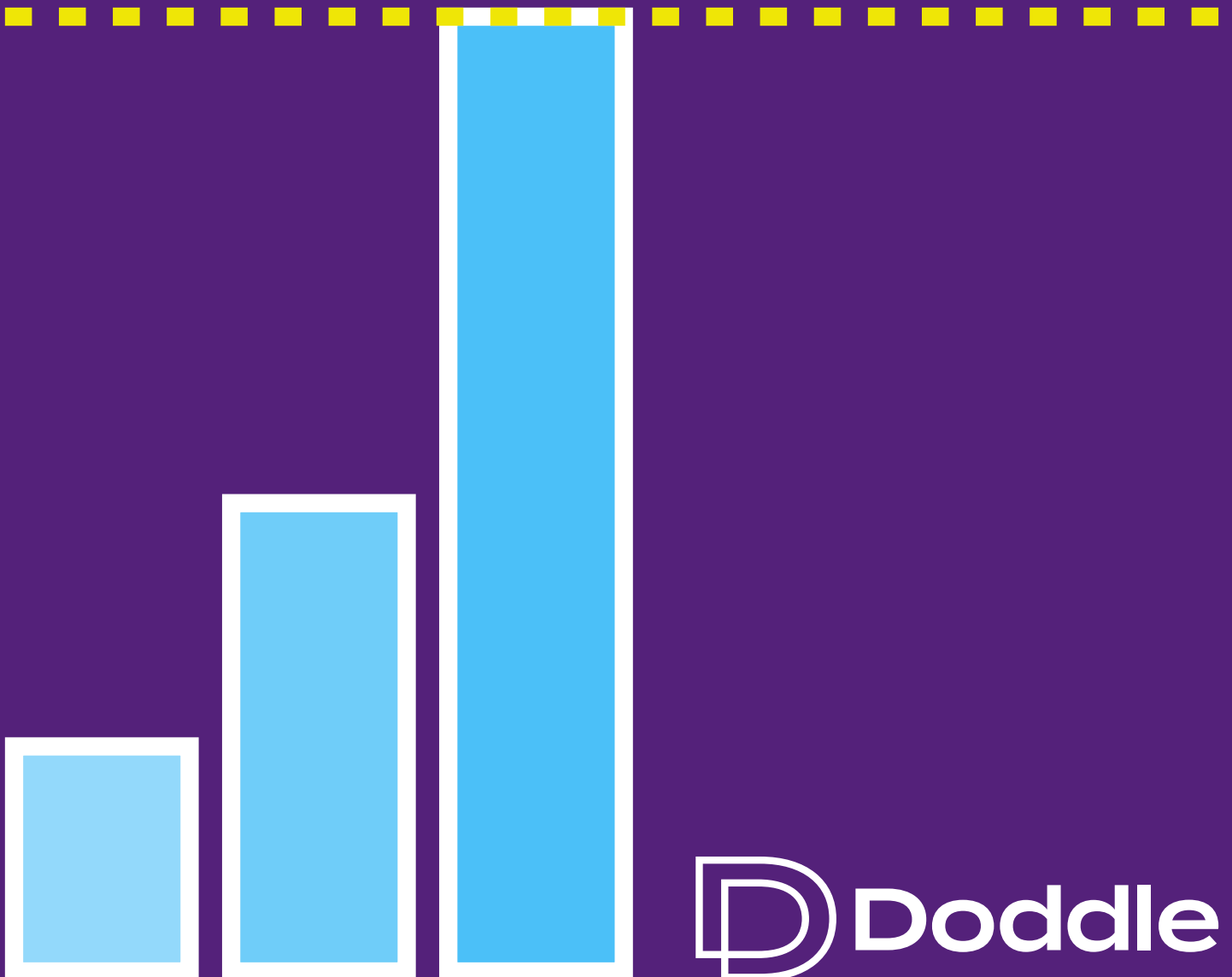


TEN WAYS TO BOOST PEAK MARGINS BY IMPROVING RETURNS.



TEN WAYS RETAILERS CAN BOOST PEAK MARGINS WITH RETURNS



Peak has never been so crucial for retailers. With economic headwinds and the disappearance of major brands, having a good three months in the golden quarter is now a must for those looking to thrive in 2020.

However, achieving strong retail performance is only getting harder as customers demand more from their shopping experiences, whether that means faster delivery times, lower prices or more convenient and slicker interfaces. In response retailers have to become operationally leaner and more

effective, at the same time as delivering new levels of customer experience.

The single biggest area of value loss for retailers is returns. The best-case returns scenario is massively powerful for driving customer loyalty, upsell and long-term value. The worst-case is toxic to the brand, reduces repeat custom, and leaves retailers in the dark about their own business. Of course, most retailers sit between these extremes – but very few are able to maximise the value of returns. As a result, they're leaving money on the table and allowing margins to erode, due

to inefficient processes and reduced customer retention.

That's why this guide will go through the customer journey and highlight ten points where retailers can benefit from a stronger returns proposition to ensure that they protect and improve their margin this peak season. We label each point with a clear value descriptor to show which levers are being used to help retailers protect and improve their profitability. The levers are:

Levers:



Conversion



Return rate



Customer loyalty



Acquisition cost



Operational efficiency



Profitability

Broadly, all of our highlighted points come down to three things: reducing return rates, processing returns more efficiently, and improving the customer experience. All of these either reduce costs associated with returns or increase the benefits to customer acquisition and loyalty that a great returns process provides.

BEFORE THE SALE

**63% OF CUSTOMERS
HAVE RECEIVED ITEMS
FROM AN ONLINE SHOP
WHICH LOOKED NOTHING
LIKE THEIR DEPICTIONS
ON THE WEBSITE.**

Research from the Fashion
Retail Academy



1. Product data, descriptions and images Key levers: return rate, conversion

63% of customers have received items from an online shop which looked nothing like their depictions on the website, according to research from the Fashion Retail Academy. Disappointment and confusion about the specifics of a product are a massive contributor to returns, and this stat indicates the challenge retailers face in conveying the nature of products through a screen.

Of course, product data like titles and images are also vital to being found in search and converting shoppers on product pages. Investing in this area gives shoppers a better idea of what they're purchasing and can lead to increased conversion and decreased returns. Examples of successful implementations of improved product data include IKEA's forays into AR, where shoppers can

easily visualize pieces of furniture in their homes through their smartphone camera lens. Leaders in fashion ecommerce like ASOS have also driven development in this area through incorporating video into product pages.

User-generated content such as reviews and ratings, as well as social media posts and styling features, can help retailers by effectively crowd-sourcing much of the additional product content that is required to help improve peak conversion. Seeing real people owning and using the product reassures potential customers and demonstrates the product as it will exist in their lives, reducing the likelihood of disappointment and returns.



BEFORE THE SALE



2. Building the returns offer into advertising and merchandising

Key lever: Conversion

Removing barriers to purchase by addressing potential objections is a great way to increase conversion. For many shoppers at peak time, the fear of purchasing a gift which isn't wanted by the recipient is a primary reason to avoid purchasing. Retailers can highlight their returns offer to overcome this objection, showing shoppers that even if the recipient of their gift wants to return or exchange it, that will be no problem.

To achieve this, retailers need a **really clear and easily comprehensible returns policy**. The marketing/merchandising team needs to look at ways to fold this offer into their creative – many retailers will use banners at the top of each page to advertise their shipping

and return proposition, but some prefer to hide away their returns information in the hope that doing so will discourage returns.

This is a short-term tactical decision which will not sit well with customers. Peak purchases are very emotive – with shoppers often buying gifts or purchases for family events, et cetera. Getting these moments wrong is poisonous to the brand relationship for that customer, and the function of a great returns experience is to correct that damage as early as possible and as completely as possible. That being the case, retailers need to embrace the power of returns and promote them rather than hide them away.

BEFORE THE SALE



3. Using returns data to build more effective customer segments

Key lever: Acquisition cost

Retaining more peak revenue is easier when you have better data on your customers and their lifetime value. One major improvement that could be made to most retailers' lifetime value metrics is to fold in returns data, which has a massive impact on long term profitability of customers, when creating audience segments.

We know that returns behavior is not identical across audience groups, but unfortunately retailers typically do not have or are not using the data gathered from their reverse logistics operations to better understand their

shoppers' propensity to return, or how likely a given shopper is to send back a purchase.

Adding this data to CRM and audience segments means that retailers have a much more accurate and long-term view of who their most valuable customers are, which should improve the effectiveness of their marketing resulting in more sales for less marketing spend.



DURING THE CHECKOUT

PICKING UP A PARCEL AT A CONVENIENCE STORE NEAR A WORKPLACE IS A MUCH MORE FEASIBLE AND RELIABLE PROPOSITION FOR MANY CUSTOMERS THAN STAYING AT HOME TO WAIT FOR THE DELIVERY



4. Offering a variety of delivery options

Key levers: Conversion, efficiency, return rate

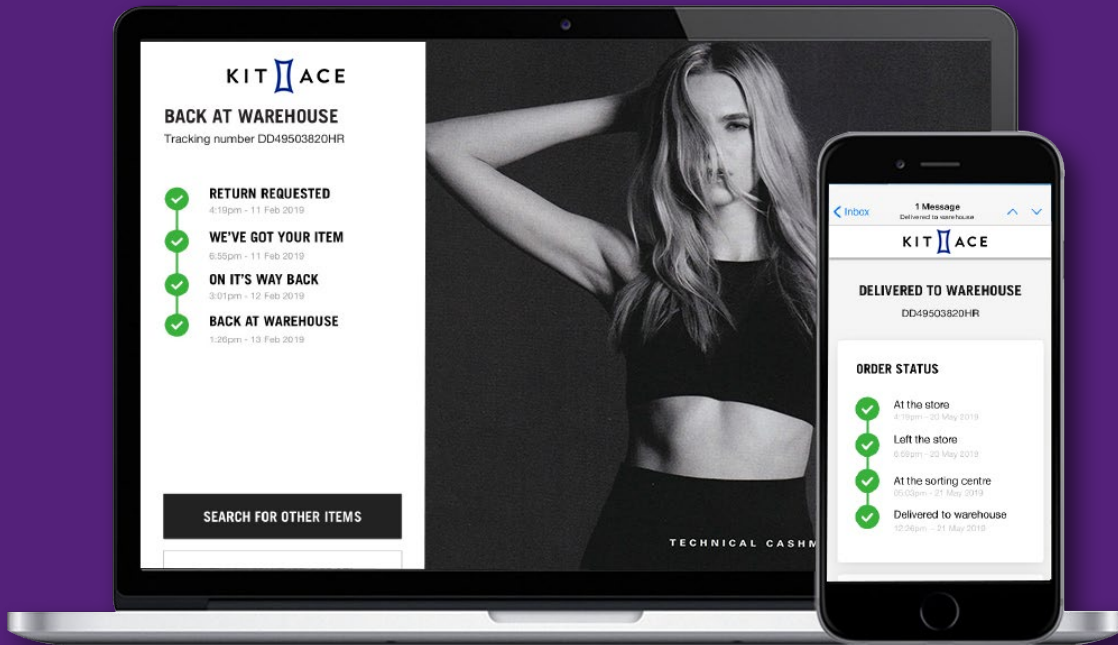
As we touched on above, peak purchases are often emotionally charged, and that brings with it an increased desire on the part of your customers for some guarantee or security around the delivery. To-door delivery experiences can be hit or miss, and misses are very painful to deal with, as anyone who has had parcels left in the rain or with an unknown neighbour will know. This is obviously amplified if the missing parcel is a gift for a loved one, and that is the kind of misstep most brands would pay dearly to avoid.

One of the best ways to avoid this risk to your brand at peak is to include a variety of delivery options in the checkout process, so that customers feel in control of their choices and have the security of knowing that they can collect their product from a local store or collection point. That works especially well for those who cannot be at home at all hours to receive a delivery, and as part of building the delivery into their existing routine. For example, picking up a parcel at a convenience store near a workplace is a much more

feasible and reliable proposition for many customers than staying at home to wait for the delivery.

Collecting an item in store also gives shoppers the opportunity to troubleshoot with store staff, try clothes on, or pick up complementary products. This reduces the likelihood of returns, and when returns do happen they're easier to manage when a product can be handed straight back to store staff without delay.

AFTER THE CHECKOUT



5. A single, branded communication experience Key lever: Loyalty

Consistency is key to branding and loyalty. The brand is only as strong as its weakest representation, and in delivery and returns that representation is often out of the retailer's hands and taken over by the logistics provider. Not many retailers have a fully integrated and branded post-sale communications journey, preferring instead to allow customers to receive updates from the parcel carrier directly.

The challenge for retailers is to align communications and information in a single platform which they can control and brand properly, to give customers the crucial delivery and returns information they need whilst retaining control of the brand experience.

This journey also offers opportunities for post-sale follow-ups, upsell and exchanges – so that when a customer receives an item, they get asked for feedback, prompted to review or share it on social if they like it, or offered exchange and return options if they're not happy.

Harnessing digital platforms, retailers can now offer a guided customer experience akin to a store salesperson to their ecommerce shoppers. Doing so will increase customer loyalty as they are increasingly “looked-after” and will help to drive revenue recovery as more exchanges are taken rather than returns.



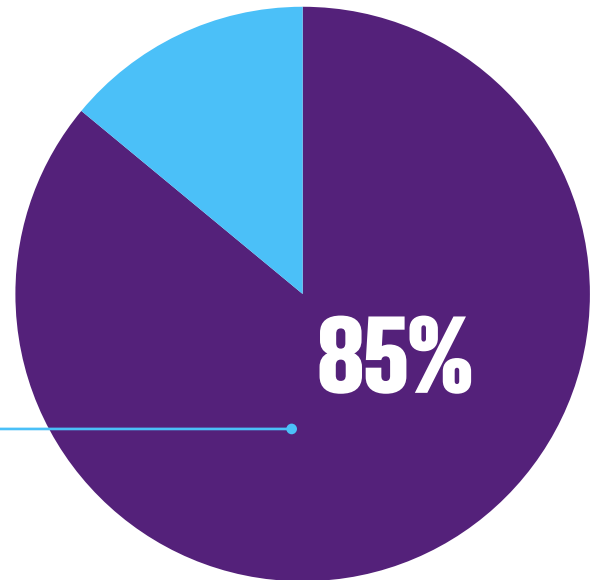
WHEN RETURNS HAPPEN



6. Simple returns makes it easier to shop with you Key lever: Loyalty

As we mentioned above, creating barriers between customers and returns does not create long term value. Stated another way, making returns as easy as possible is in the interests of retailers. Customers returning products are experiencing issues with your brand and allowing obstacles to get in the way of solving that problem for the customer is damaging for customer retention. The better way to think about returns is not as an operational cost but as an acquisition and retention cost.

85% OF CUSTOMERS WILL AVOID REPEAT PURCHASES IF THEY HAVE A BAD EXPERIENCE RETURNING SOMETHING.



“

**MAKING RETURNS AS EASY AS POSSIBLE
IS IN THE INTERESTS OF RETAILERS**

Retailers are happy to pay significant amounts of money to attract a single new customer but might not be as keen to invest this amount in their returns process – even when the results could be more impactful.

However, this isn't to suggest that retailers need to allow bad actors to take advantage of their generosity. We'll cover the potential for personalised returns in another section.

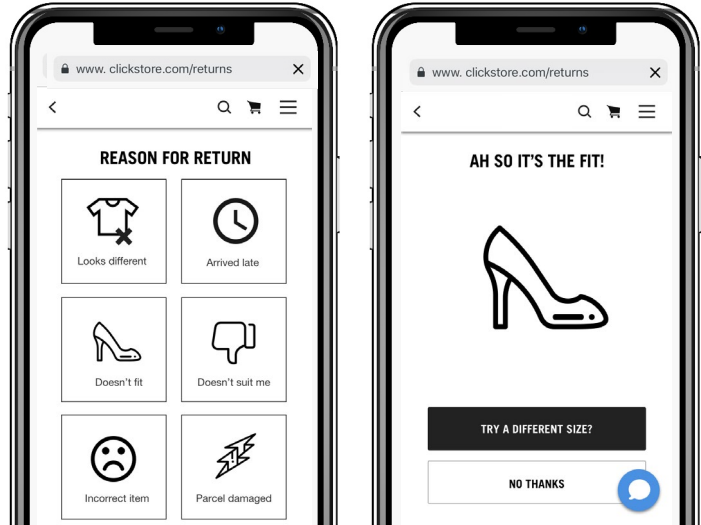
WHEN RETURNS HAPPEN



7. Offering exchanges during the return can recover the sale

Key lever: Profitability

Returns are very often a result of issues around sizing or other minor variations. Utilising after-sale follow ups allows retailers to gather instant feedback on the product and offer customers routes to fix any issues. Exchanges are often the quickest way to a resolution that avoids leaving the retailer without a sale and the customer without a product, but they're rarely built into the returns journey, resulting in missed profits.



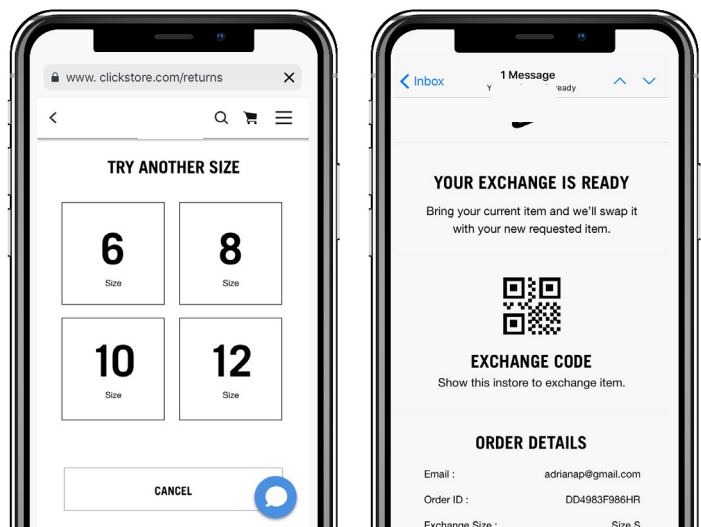
8. Capture returns reasons digitally to understand the source

Key lever: Return rates

Paper returns slips are environmentally unsustainable, unrecyclable and ineffective at tracking returns data. During peak when the distribution centre or returns department is at its busiest, important data about the reason for return: is the first casualty of the rush to process returns.

The resulting lack of insight and visibility means it's harder than it should be to understand why customers return products, and makes reducing returns much more difficult.

Additionally, digital returns management has the advantage of allowing customers to book their return online, which gives retailers the ability to forecast inbound returns, so that the distribution centre is prepared for the volume.



WHEN RETURNS HAPPEN



9. Direct customers to stores where convenient

Key lever: Profitability

45% OF SHOPPERS WOULD PREFER TO DROP RETURNS OFF TO STORES

This is a win-win for retailers, providing their customers with the experience they desire and driving increased foot traffic into stores. Once customers are in stores, staff can assist them with their return and explore alternative products as replacement or exchange options.

Customers who have just returned an item are very likely to still be looking to purchase something, whether it's a different size of the same item or a slightly different style. Encouraging these customers to do their returning in-store draws high-intent traffic that is already comfortable and familiar with your brand, and which has just had a great and convenient experience of returning something.

Even if the customer isn't looking to replace the product they're returning, it's clear that increasing footfall is an essential task for bricks and mortar retail. More and more retailers are offering additional reasons for customers to come to stores, from cafes to hairdressers to click & collect. Returns can play a role in the revitalisation of stores and allow their value to be maximised.

One of the benefits of in-store returns is that the payoff is immediate – additional sales revenue can help limit the short-term cost of returns. In the longer term, the value of returns is immeasurable, with customers rating it as such an important factor in their buying decisions.

In the UK, Next incentivises customers to return to stores by offering free returns to stores, and charging £2 for other return channels.

So what are the secrets to efficient in-store returns and how can retailers ensure that their customers get a great experience?

It's vital to have a clear process and well-trained staff. Associates need to understand where returned parcels belong, how to scan and accept returns, and they need

to know the returns policy inside out. Clear signposting for customers is also a must, especially in cases where there is a designated counter for returns.

Hardware can also be a powerful tool to allow customers to self-serve their returns – a pod or locker where customers scan prebooked returns into the locker with a QR code from their phone, generated by a returns portal. During peak this self-service option means that retailers can realise the benefits of drawing customers to stores without locking up checkouts and staff time with returns.



“

**CUSTOMERS WHO
HAVE JUST RETURNED
AN ITEM ARE VERY LIKELY
TO STILL BE LOOKING
TO PURCHASE SOMETHING**

WHEN RETURNS HAPPEN



10. Personalise the after-sale journey

Key levers: Loyalty, profitability, conversion

Marketers don't spend the same amount to target every potential customer. Customers vary in profitability and value to the business, so some are prioritised. The same should be true in returns. In our note on making returns simple for customers we made the point that retailers don't have to be taken for a ride. To avoid that, they need to start personalising the customer journey after the sale.

Amazon leads in this area. High-value customers get instant refunds, a powerful and immediate indicator of the retailer valuing their custom and seeking to make things right. The reverse is also starting to happen, as ASOS have begun to take action

against those they deem to be 'serial returners'. How effective their methods are remains to be seen, however, and blacklisting may be a heavy-handed approach compared to introducing cost incentives to deter excessive returns – simply making customers cover the cost of the return may help to discourage the wardrobing trend.

There are also opportunities for retailers to maximise profits by upselling and cross-selling customers in the after-sales journey. Recommending additional items and promotions relevant to the customers purchase and returns history can increase repeat shopping and improve lifetime value.

For example, customers can be offered discounts to incentivise returning instore.



CLICKSTORE.

Delivered to warehouse
DD49503820HR

Order status

- At the store
4:19pm - 11 Feb 2019
- Left the store
6:55pm - 11 Feb 2019
- At the sorting centre
3:01pm - 12 Feb 2019
- Delivered to warehouse
1:26pm - 13 Feb 2019

Expected Refund Date
12 April 2019

Ordered from
CLICKSTORE.
DD49503820HR
[See details](#)

Returned via
Clickstore Finsbury Park
[Store Details](#)

20%
OFF

To say thanks
Here's 20% off your next visit, to spend on anything you choose.

Support

Check out our most frequently asked questions.
[Read more](#)

Sign up
Get signed up to hear about store launches, news and offers.

[Subscribe](#)
For details of how we process your data, check out our Privacy Policy.

Services
Locations

Company
About us

MARGIN PROTECTION AND RETURNS OWNERSHIP



Businesses need to start by assigning responsibilities correctly, so that they can stop margin leaking away and losing value in their operations. When it comes to returns, most retailers feel that responsibility lies with the logistics team. This is only partly the case. Successful returns depend on and affect many more teams, from IT to marketing to finance and operations. Collaboration between teams and shared ownership of the goal to protect margins is vital.

Equally importantly, retailers need to embrace the reality of returns, which have been under-resourced. This is partly because they have been seen as the

logistics team's job, and partly because returns are understood as an operational cost rather than a tool for retention, acquisition and long-term margin improvement. The technology now available to retailers is changing the landscape from the top down, with leaders like Amazon stretching their advantage in personalisation and efficiency. This does not have to be the case, and many omni-channel retailers have one massive advantage thanks to their store footprint. Stitching together the ecommerce orders with returns in store and cross-selling between the two will be a recipe for success in peak 2019/20.

Doddle is a technology provider supporting retailers with delivery, returns, and fulfilment from stores. Our unique intersection of experience with customers, retailers, carriers and technology means our partners can make powerful lasting impressions and continually earn customers' loyalty. Find out how we can help to make returns a powerful, profitable way to deliver great experiences for your customers.

